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RUEHCV/AMEMBASSY CARACAS 2057
RUEHPE/AMEMBASSY LIMA 2130
RUEHME/AMEMBASSY MEXICO 1953
RUEHMN/AMEMBASSY MONTEVIDEO 4255
RUEHQT/AMEMBASSY QUITO 4694
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TAGS: ETRD EINV ECON PREL PGOV BL
SUBJECT: GOB TOUTS SUCCESS OF PEOPLES' TRADE AGREEMENT

REF: LA PAZ 1172

SUMMARY

¶11. (SBU) In a December 2 newspaper insert, the GOB touted the early success of its April 29 Peoples' Trade Agreement with Venezuela and Cuba (reftel), highlighting the disbursement of approximately \$4 million of a \$100 million Venezuela-financed development fund. The money has been distributed (often via small loans) to businesses in five departments, with additional disbursements expected in the near future. Despite the GOB's enthusiasm, it is hard to believe the agreement will have a significant impact on the lives of poor Bolivians, particularly with just four percent of funds allocated and few concrete plans for generating employment or boosting economic growth. End summary.

GOB TOUTS EARLY SUCCESS

¶12. (U) In an eight-page December 2 newspaper insert, the GOB touted the early success of its April 29 Peoples' Trade Agreement with Venezuela and Cuba (reftel), highlighting the disbursement of approximately \$4 million of a \$100 million Venezuela-financed development fund. The account and its associated Productive Development Program are designed to help small and medium enterprises generate employment while furthering the "revolutionary" process of abolishing the "neoliberal" economic policies of the past in favor of new, state-supported development methods.

SMALL PROJECTS RECEIVE SUPPORT

¶13. (U) Funds have been distributed (often via small loans) to small and medium businesses in five departments, with

additional disbursements expected in the near future. Recipients have used an estimated 80 percent of funds to purchase capital equipment, machinery, and other inputs for textile and apparel firms, furniture factories, leather goods companies, and other enterprises in La Paz, El Alto, Santa Cruz, and Tarija. Other projects include the construction of a milk production plant in Pucarani, a village in the department of La Paz; the development of a new central market in Trinidad, capital of Beni department; and the opening of a Brazil nut processing facility in Riberalta, an isolated town in the same department.

¶4. (U) According to GOB figures, more than 100 businesses will receive assistance, many of them microenterprises with no more than a handful of employees. The GOB claims the investment projects and microcredits will directly benefit an estimated 10,000 Bolivians and indirectly assist 50,000 more, primarily through the provision of new jobs and the creation of expanded opportunities along the supply chain.

COMMENT

¶5. (SBU) Despite the GOB's enthusiasm, it is hard to believe the Peoples' Trade Agreement will have a significant impact on the lives of poor Bolivians, particularly with just four percent of development funds allocated and few concrete plans for generating employment or boosting economic growth. GOB statistics themselves suggest the trilateral pact will have little economic effect: according to the Bolivian Institute of Foreign Trade, Bolivian exports to Venezuela in the first six months of the year totaled only \$90 million, slightly lower than the same period last year, and exports to Cuba reached a grand total of only \$200. Despite its supposed success, the Peoples' Trade Agreement seems little more than an empty political gesture designed to drum up support for the Morales administration.

URS